

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Lincoln Township	County Midland
Audit Date March 31, 2004	Opinion Date October 28, 2004	Date Accountant Report Submitted to State: December 14, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ yes ☐ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ yes ☐ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) Burnside & Lang, P.C.			
Street Address 5915 Eastman Ave., Suite 100		City Midland	State MI
Accountant Signature Mark R. Friel		ZIP 48640	

- 12/13/04

**Lincoln Township
Midland County, Michigan**

For The Year Ended March 31, 2004

Gerald Nightlinger	Supervisor
Judith Ahearn	Treasurer
Lorenz Hughes	Clerk
Kevin Wray	Trustee
Christine Sheets	Trustee

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

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Independent Auditors' Report

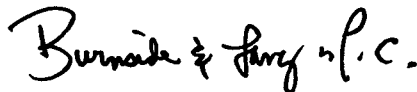
To The Honorable Members of
The Township Board of Trustees
Lincoln Township
Midland County, Michigan

We have audited the general purpose financial statements of Lincoln Township, Midland County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Township, Midland County, Michigan, at March 31, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as combining fund financial statements and supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Lincoln Township, Midland County, Michigan. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Midland, Michigan
October 28, 2004

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2004**

	<u>Governmental Funds</u>		<u>Fiduciary Fund</u>	<u>Account Groups</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Current Tax Collection Fund</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>Total (Memorandum Only)</u>
ASSETS						
Cash and cash equivalents	\$ 248,730	\$ 361,751	\$ 812	\$ -	\$ -	\$ 611,293
Taxes and fees receivable	5,889	9,195	-	-	-	15,084
Due from other funds	54,129	137	-	-	-	54,266
Prepaid expenditures	21,707	1,793	-	-	-	23,500
Fixed assets	-	-	-	737,480	-	737,480
Amount to be provided for retirement of long-term debt	-	-	-	-	385,000	385,000
TOTAL ASSETS	\$ 330,455	\$ 372,876	\$ 812	\$ 737,480	\$ 385,000	\$ 1,826,623
LIABILITIES AND FUND EQUITY						
Liabilities						
Accrued expenses	\$ 1,720	\$ -	\$ -	\$ -	\$ -	\$ 1,720
Due to other funds	-	53,454	812	-	-	54,266
Bonds payable	-	-	-	-	385,000	385,000
Total Liabilities	1,720	53,454	812	-	385,000	440,986
Fund Equity						
Investment in general fixed assets	-	-	-	737,480	-	737,480
Fund Balance:						
Reserved for prepaid expenditures	21,707	1,793	-	-	-	23,500
Unreserved and undesignated	307,028	317,629	-	-	-	624,657
Total Fund Equity	328,735	319,422	-	737,480	-	1,385,637
TOTAL LIABILITIES AND FUND EQUITY	\$ 330,455	\$ 372,876	\$ 812	\$ 737,480	\$ 385,000	\$ 1,826,623

The accompanying notes are an integral part of the financial statements.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For The Year Ended March 31, 2004**

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
REVENUES			
Tax collections	\$ 74,896	\$ 109,228	\$ 184,124
Licenses and permits	-	2,074	2,074
State revenue sharing	165,319	-	165,319
City of Midland revenue sharing	1,221	-	1,221
Charges for services	28,239	-	28,239
Interest income	4,332	3,200	7,532
Landfill revenue	9,490	-	9,490
All other revenue	3,469	31,529	34,998
Total Revenues	286,966	146,031	432,997
EXPENDITURES			
General Government:			
Township board	8,511	-	8,511
Supervisor	21,789	-	21,789
Treasurer	23,493	-	23,493
Assessing	16,522	-	16,522
Clerk	19,252	-	19,252
Board of review	1,265	-	1,265
Building and grounds	4,752	-	4,752
All other general government	36,559	-	36,559
Public Safety:			
Fire protection	-	45,114	45,114
Constable	1,911	-	1,911
All other public safety activities	41,593	-	41,593
Public Works:			
Drains at large	721	-	721
Landfill	20,953	-	20,953
Road maintenance	55,426	-	55,426
Street lights	8,646	-	8,646
Water district charges	-	271	271
Community Development:			
Planning commission	4,966	-	4,966
Zoning board of appeals	2,058	-	2,058
Debt service	-	51,300	51,300
Total Expenditures	268,417	96,685	365,102
Excess of Revenues over Expenditures	18,549	49,346	67,895
Fund Balances At The Beginning Of The Year	310,186	270,076	580,262
FUND BALANCES AT THE END OF THE YEAR	\$ 328,735	\$ 319,422	\$ 648,157

The accompanying notes are an integral part of the financial statements.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES
For The Year Ended March 31, 2004**

	General Fund			Special Revenue Funds			Total (Memorandum only)		
	Budget (As Amended)	Actual	Variance (Un) Favorable	Budget (As Amended)	Actual	Variance (Un) Favorable	Budget (As Amended)	Actual	Variance (Un) Favorable
REVENUES									
Tax collections	\$ 60,500	\$ 74,896	\$ 14,396	\$ 115,800	\$ 109,228	\$ (6,572)	\$ 176,300	\$ 184,124	\$ 7,824
Licenses and permits	-	-	-	2,027	2,074	47	2,027	2,074	47
State revenue sharing	180,000	165,319	(14,681)	-	-	-	180,000	165,319	(14,681)
City of Midland revenue sharing	-	1,221	1,221	-	-	-	-	1,221	1,221
Charges for services	33,800	28,239	(5,561)	-	-	-	33,800	28,239	(5,561)
Interest income	6,000	4,332	(1,668)	3,346	3,200	(146)	9,346	7,532	(1,814)
Landfill revenue	11,000	9,490	(1,510)	-	-	-	11,000	9,490	(1,510)
All other revenue	6,500	3,469	(3,031)	-	31,529	31,529	6,500	34,998	28,498
Total Revenues	297,800	286,966	(10,834)	121,173	146,031	24,858	418,973	432,997	14,024
EXPENDITURES									
General Government:									
Township board	27,450	8,511	18,939	-	-	-	27,450	8,511	18,939
Supervisor	23,460	21,789	1,671	-	-	-	23,460	21,789	1,671
Treasurer	26,010	23,493	2,517	-	-	-	26,010	23,493	2,517
Assessing	26,150	16,522	9,628	-	-	-	26,150	16,522	9,628
Clerk	25,220	19,252	5,968	-	-	-	25,220	19,252	5,968
Board of review	5,010	1,265	3,745	-	-	-	5,010	1,265	3,745
Building and grounds	16,350	4,752	11,598	-	-	-	16,350	4,752	11,598
All other general government	83,050	36,559	46,491	137,616	-	137,616	220,666	36,559	184,107
Public Safety:									
Fire protection	-	-	-	52,950	45,114	7,836	52,950	45,114	7,836
Constable	5,115	1,911	3,204	-	-	-	5,115	1,911	3,204
All other public safety activities	-	41,593	(41,593)	-	-	-	-	41,593	(41,593)
Public Works:									
Drains at large	-	721	(721)	-	-	-	-	721	(721)
Landfill	26,300	20,953	5,347	-	-	-	26,300	20,953	5,347
Road maintenance	50,000	55,426	(5,426)	-	-	-	50,000	55,426	(5,426)
Street lights	13,000	8,646	4,354	-	-	-	13,000	8,646	4,354
Water district charges	-	-	-	50	271	(221)	50	271	(221)
Community Development:									
Planning commission	49,050	4,966	44,084	-	-	-	49,050	4,966	44,084
Zoning board of appeals	-	2,058	(2,058)	-	-	-	-	2,058	(2,058)
Debt service	-	-	-	53,400	51,300	2,100	53,400	51,300	2,100
Total Expenditures	376,165	268,417	107,748	244,016	96,685	147,331	620,181	365,102	255,079
Excess (Deficiency) of Revenues Over Expenditures	(78,365)	18,549	\$ 96,914	(122,843)	49,346	\$ 172,189	(201,208)	67,895	\$ 269,103
Fund Balances At The Beginning Of The Year	310,186	310,186		270,076	270,076		580,262	580,262	
FUND BALANCES AT THE END OF THE YEAR	\$ 231,821	\$ 328,735		\$ 147,233	\$ 319,422		\$ 379,054	\$ 648,157	

The accompanying notes are an integral part of the financial statements.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2004**

NOTE 1. DESCRIPTION OF THE TOWNSHIP

Lincoln Township (the "Township") was organized prior to 1900 and covers an area of approximately 24 square miles. The Township is governed by an elected five-member board. The Township provides services to its various residents in many areas, including general government, public safety, public works recreation and culture. As required by GAAP, these financial statements present the Township, which has no component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity."*

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to generally accepted accounting principles. The following is a summary of the significant policies:

- A) **Scope of Reporting Entity.** In accordance with the provisions of the National Council on Government Accounting's Statement No.3, "Defining the Governmental Reporting Entity," the financial statements contain all the funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.
- B) **Basis of Accounting.** The modified accrual basis of accounting is followed by all governmental fund types. The modified accrual basis of accounting is defined as that method of accounting in which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred. Revenues are recorded when received in cash, except revenues derived from the levy of taxes and from charges for services rendered, which are recorded when levied or earned. Revenues susceptible to accrual include property taxes, interest and fees. The Township applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.
- C) **General Fixed Assets.** Purchases of general fixed assets in the governmental fund type operations are recorded as expenditures in the respective funds at the time of purchase. Such assets are capitalized at cost in the general fixed assets account group except for certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Gifts or contributions are recorded in the general fixed assets account group at fair market value at the time of receipt. No depreciation has been provided for on the general fixed assets.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2004**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- D) **Property Taxes.** Property taxes are levied each December 1st and recorded as revenue at that time. Real property taxes not collected as of March 1st are turned over to Midland County, which advances the Township 100% for the delinquent taxes.
- E) **Basis of Presentation.** The financial activities of the Township are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund.

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes and state revenue sharing, and other intergovernmental revenues.

Special Revenue Funds.

These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provision or administrative action.

Fiduciary Funds

Trust and Agency Fund.

This fund (Tax Collection Fund) is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

- F) **Cash, Cash Equivalents, and Investments.** Demand deposits and short-term investments with maturity of three months or less when acquired are considered to be cash equivalents.
- G) **Receivables.** Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible amounts have not been provided for because the Township Board of Trustees does not consider collection doubtful.
- H) **Special Assessments.** Special assessments are recorded as revenue in the year they are collected or when they are turned over to Midland County as delinquent.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2004**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- I) **Encumbrances.** Encumbrances are defined as commitments related to unperformed contracts for goods or services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.
- J) **Total Column on Combined Statements--Overview.** The total column on the combined statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.
- K) **Jointly Governed Organizations - Midland Water District Number 1.** Water District No. 1 of Midland County is a water authority that falls under the provisions of Public Act 233 of 1955, as amended. The Authority was established to service and collect water charges as an agent for six communities - Lincoln Township, Jerome Township, Edenville Township, Hope Township, Lee Township, and the Village of Sanford. The Authority services approximately 2,600 water customers. A twelve-member board consisting of two members appointed by each community governs the Authority.

NOTE 3. LEGAL COMPLIANCE

Budget Information

The annual budget is prepared by the Township Supervisor and adopted by the Board of Trustees; subsequent amendments are approved by the Board of Trustees. The annual operating budget has been prepared in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year-end. The approved budgets of the Township for these budgeted funds were adopted to the activity level.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2004**

NOTE 3. LEGAL COMPLIANCE (continued)

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund--All other public safety activities	\$ -	\$ 41,593
General Fund--Drains at large	-	721
General Fund--Road maintenance	50,000	55,426
General Fund--Zoning board of appeals	-	2,058
Special Revenue--Water district charges	50	271

Credit Card Policy

The Township uses a credit card and has not adopted by resolution a credit card policy as required by P.A. 266 of 1995 (MCL 129.241).

NOTE 4. CASH DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board of Trustees has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all the instruments listed above.

The Township's deposits and investment policy are in accordance with statutory authority.
The carrying amounts and bank balances of the Township's deposits at March 31, 2004 total \$611,293, of which \$100,000 is covered by federal deposit insurance.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2004**

NOTE 5. LONG TERM DEBT

The following is a summary of general long-term debt of Lincoln Township for the year ended March 31, 2004:

<u>General Long-Term Debt Account Group</u>	<u>04/01/2003</u>	<u>Additions (Reductions)</u>	<u>03/31/2004</u>
Revenue Bonds, dated October 17, 1991 in the amount of \$330,000; due in annual payments of \$5,000 to \$25,000 beginning November 1, 1991, plus interest ranging from 4.7% to 6.88%.	\$ 275,000	\$ (10,000)	\$ 265,000
Midland County Water Supply System Bonds dated June 1, 1996 in the amount of \$200,000; due in annual payments of \$10,000 to \$15,000 beginning May 1, 1997, plus interest ranging from 4.4% to 5.75%.	<u>135,000</u>	<u>(15,000)</u>	<u>120,000</u>
Total General Long-Term Account Group	<u>\$ 410,000</u>	<u>\$ (25,000)</u>	<u>\$ 385,000</u>

The annual long-term debt requirement of the Township for each of the five years following the balance sheet date are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
3/31/2005	\$ 25,000	\$ 24,592	\$ 49,592
3/31/2006	30,000	23,214	53,214
3/31/2007	30,000	21,462	51,462
3/31/2008	30,000	19,605	49,605
3/31/2009	35,000	17,808	52,808
3/31/2010-2011	<u>235,000</u>	<u>66,003</u>	<u>301,003</u>
	<u>\$ 385,000</u>	<u>\$ 172,684</u>	<u>\$ 557,684</u>

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2004**

NOTE 6. SIMPLIFIED EMPLOYEE PENSION PLAN

The Township participates in the Municipal Retirement System, Inc., under the Michigan Township Participating Plan. This is a defined contribution money purchase pension plan covering substantially all employees and is administered by an insurance company. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Such benefits depend solely on the amount contributed to the participant's account and on returns earned on investments on those contributions.

The township contributes 7% of covered employees' annual compensation. Each employee also contributes 7% of his or her annual compensation. Contributions to the plan are funded in advance each December based on estimated annual employee compensation amounts for the following year. Any unearned advance contributions are refunded and any additional contributions due are paid when actual compensation amounts are submitted to the plan administrator at the close of the plan year. In accordance with these requirements, the Township contributed \$8,660 during the current year.

NOTE 7. INTERFUND RECEIVABLES AND PAYABLES

The amounts of the interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
Fire fund	\$ 137	Water fund	\$ 137
General fund	46,438	Fire fund	46,438
General fund	5,400	Liquor fund	5,400
General fund	812	Tax fund	812
General fund	<u>1,479</u>	Water fund	<u>1,479</u>
Total	<u>\$ 54,266</u>		<u>\$ 54,266</u>

NOTE 8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
March 31, 2004**

	<u>Fire</u>	<u>Water</u>	<u>Liquor</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 136,721	\$ 184,456	\$ 40,574	\$ 361,751
Taxes and fees receivable	4,598	4,597	-	9,195
Due from other funds	137	-	-	137
Prepaid expenditures	1,699	-	94	1,793
TOTAL ASSETS	<u>\$ 143,155</u>	<u>\$ 189,053</u>	<u>\$ 40,668</u>	<u>\$ 372,876</u>
LIABILITIES				
Due to other funds	\$ 46,438	\$ 1,616	\$ 5,400	\$ 53,454
Total Liabilities	<u>46,438</u>	<u>1,616</u>	<u>5,400</u>	<u>53,454</u>
FUND EQUITY				
Fund Equity				
Reserved	1,699	-	94	1,793
Unreserved and undesignated	95,018	187,437	35,174	317,629
Ending Fund Balance	<u>96,717</u>	<u>187,437</u>	<u>35,268</u>	<u>319,422</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 143,155</u>	<u>\$ 189,053</u>	<u>\$ 40,668</u>	<u>\$ 372,876</u>

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL SPECIAL REVENUE FUND TYPES
For The Year Ended March 31, 2004**

	<u>Fire</u>	<u>Water</u>	<u>Liquor</u>	<u>Total</u>
REVENUES				
Tax collections	\$ 54,614	\$ 54,614	\$ -	\$ 109,228
Licenses and permits	-	-	2,074	2,074
Interest income	1,474	1,526	200	3,200
All other revenues	-	31,529	-	31,529
Total Revenues	<u>56,088</u>	<u>87,669</u>	<u>2,274</u>	<u>146,031</u>
EXPENDITURES				
Public safety	45,114	-	-	45,114
Public works	-	271	-	271
Debt service	-	51,300	-	51,300
Total Expenditures	<u>45,114</u>	<u>51,571</u>	<u>-</u>	<u>96,685</u>
Excess of Revenues Over Expenditures	10,974	36,098	2,274	49,346
Fund Balances - Beginning of Year	<u>85,743</u>	<u>151,339</u>	<u>32,994</u>	<u>270,076</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 96,717</u></u>	<u><u>\$ 187,437</u></u>	<u><u>\$ 35,268</u></u>	<u><u>\$ 319,422</u></u>

**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - CURRENT TAX COLLECTION FUND
For The Year Ended March 31, 2004**

	<u>BALANCE 4/1/2003</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE 3/31/2004</u>
Assets				
Cash and cash equivalents	\$ 8	\$ 1,547,211	\$ 1,546,407	\$ 812
Total Assets	<u>\$ 8</u>	<u>\$ 1,547,211</u>	<u>\$ 1,546,407</u>	<u>\$ 812</u>
Liabilities				
Due to other governmental units	\$ -	\$ 1,380,249	\$ 1,380,249	\$ -
Due to other funds	8	166,962	166,158	812
Total Liabilities	<u>\$ 8</u>	<u>\$ 1,547,211</u>	<u>\$ 1,546,407</u>	<u>\$ 812</u>

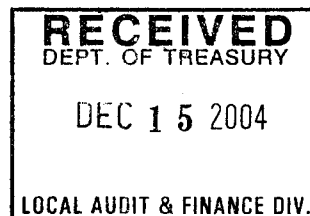
**LINCOLN TOWNSHIP
MIDLAND COUNTY, MICHIGAN**

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
For The Year Ended March 31, 2004**

	BALANCE 4/1/2003	ADDITIONS	DELETIONS	BALANCE 3/31/2004
General Fixed Assets				
Land and improvements	\$ 1,430	\$ -	\$ -	\$ 1,430
Land - fire department	1,261	-	-	1,261
Building and improvements	94,927	-	-	94,927
Equipment	15,206	-	-	15,206
Fire equipment	425,051	-	-	425,051
Building - fire department	199,605	-	-	199,605
Investment in General Fixed Assets	\$ 737,480	\$ -	\$ -	\$ 737,480

October 28, 2004

Members of the Township Board
of Trustees
Lincoln Township
Midland County, Michigan



Dear Board Members:

In planning and performing our audit of the financial statements of Lincoln Township, for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

REPORTABLE CONDITIONS (MATERIAL WEAKNESSES)

Periodic Financial Reports

As described in the *Uniform Accounting Procedures Manual* for Counties and Local Units of Government in Michigan, legislative bodies must be provided periodic financial reports from the Clerk and Treasurer. The required periodic reports and suggested frequency should include the following:

Treasurer

- Summary report of cash activity by fund (monthly).
- Summary report of cash activity by bank account, certificate of deposit and investment account (monthly).

Clerk or Accounting or Controller or Finance Department

- Balance sheet by fund (monthly).
- Detail revenue by fund - budget to actual (monthly).
- Detail expenditures by fund - budget to actual (monthly).
- List of bills to be approved for payment (each meeting).
- Separate list of bills paid prior to approval pursuant to a council approved policy (each meeting).

Periodic Financial Reports (Continued)

The Clerk and Treasurer do not provide the Township Board of Trustees with the required reports. These reports will assist the board members in determining whether the financial activity of the various funds is within the adopted budgets, the sufficiency of the cash balances to meet the needs of the current period, and whether there is sufficient cash available to cover unforeseen expenditures, etc.

Township Credit Card

The Township uses a credit card for the purchase of goods and services. The Township does not have a credit card policy, which is mandated by the State of Michigan. We recommend the Township adopt by resolution a credit card policy to comply with the State of Michigan requirement. A good sample policy can be found by visiting the Michigan Township's Association website.

Bank Reconciliations

As stated in the in the Michigan Department of Treasury's *Uniform Accounting Procedures Manual*, "All bank accounts must be reconciled to the local unit accounting records monthly. The Clerk's records must agree with or reconcile to the Treasurer's and the bank's records. A reconciliation sheet should be prepared in duplicate for each month with one copy for the clerk and one copy for the treasurer. Canceled checks are to be filed with the bank statement to which they apply." We recommend the Clerk and Treasurer submit this reconciliation along with the above reports monthly until the Township Board is satisfied that this necessary reconciliation procedure is being performed on a monthly basis.

Investment Policy

We noted during our audit that Township officials could not find a copy of its investment policy. We recommend the incoming Treasurer draft a new policy and have it approved by the Board of Trustees as soon as possible. A good sample policy can be found on the Michigan Township Association's website.

Appropriations in Budgetary Funds

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the Township incurred expenditures in excess of the amount appropriated in the General Fund.

We recommend the modified accrual basis of accounting be considered when adopting and amending the budget of the Township's governmental type funds. The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Township Board and documented in the Board's meeting minutes. This will help prevent the Township from incurring expenditures in excess of appropriations.

OTHER MATTERS

The following items, although not considered reportable conditions, are matters we believe worthy of your consideration.

Financial Oversight

The general limitations in any smaller municipalities like Lincoln Township requires that the Township Board of Trustee members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. Our comment here is intended to emphasize the importance of this oversight.

Form F65

The Township did not file the form F65 for the year ended March 31, 2003. The form should be filed every year, within six months after the close of the fiscal year. The completion and filing of the form F65 is the responsibility of the Township, and we recommend the Clerk assume responsibility for this reporting requirement.

Computerized General Ledger

The general ledger is the primary financial record of the Township and must reflect all financial activity. Transactions for the year ending March 31, 2004 have been input to a computerized accounting program. We recommend that future financial transactions of the Township be recorded and maintained using this information system so that the Clerk can provide the Board of Trustees standardized financial reports.

Budget Presentation

The State of Michigan issued a Uniform Budget Manual in August 2001 and Numbered Letter 2001-2, Budget Requirements, in December 2001. The two documents describe the format that must be followed in the presentation and adoption of a budget for a local governmental unit. The Township's 2004 budget did not conform to the prescribed format. Therefore, we recommend the Township Supervisor study the two documents noted above and follow the prescribed format for all future budgets of the Township.

Fixed Asset Inventory

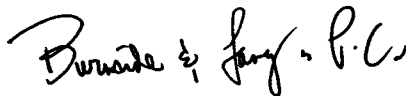
The Governmental Accounting Standards Board (GASB) and the Michigan Department of Treasury are requiring governmental units to change the way they report financial information in audited financial statements. A significant component of this change is the valuation of fixed assets and a related amount for depreciation. The Township will be required to implement this change during the year ended March 31, 2005. We recommend the Township take a physical inventory of all its fixed assets as of March 31, 2004 in anticipation of this required change.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the March 31, 2004, financial statements, and this report does not affect our report on those financial statements dated October 28, 2004. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Township Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads "Burnside & Lang, P.C.".

BURNSIDE & LANG, P.C.